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# Ontario proposals for **amending the canada pension plan**

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PRELIMINARY

ONTARIO PROPOSALS FOR  
AMENDING THE  
CANADA PENSION PLAN



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## PREFACE

This document is one of a set of three papers being presented by Ontario at the Ministers of Welfare Conference on Income Security on April 25, 26 and 27 in Ottawa. It advances a set of proposals for amending the Canada Pension Plan and analyzes their long-run financial implications. These Ontario proposals are presented within the framework of a set of objectives for the Canada Pension Plan geared to providing a well-defined role for the CPP within the income security system.

This paper marks the third contribution of the Ontario Government to the amending process. The first, PENSIM: Canada Pension Plan Simulation Model, describes a computer model which simulates the Canada Pension Plan and tests the long-run implications of alternative proposals. The second publication, Review of Issues in Amending the Canada Pension Plan, outlines a complete review of the nature of the Plan, its role in the income security system and the basic issues involved in amending the Plan.

The Ontario Government has stressed the importance of defining long-run income security objectives for the elderly. At the same time, Ontario recognizes the urgency of up-dating the Canada Pension Plan in line with growth in wages, the rising cost of living and increases in the level of Old Age Security and Guaranteed Income Supplement benefits. Accordingly, this paper advances specific proposals for immediate amendment of the Canada Pension Plan and recommends broad objectives to guide future development of the Plan.





## SUMMARY

The Ontario proposals are advanced within the context of overall objectives for the Canada Pension Plan which emphasize the insurance orientation of the Plan, the differential between retirement pensions and Guaranteed Income Supplement payments, maintaining the purchasing power of benefits in pay and the recommendations of the Royal Commission on the Status of Women. Ontario's proposals call for a substantial increase in the earnings ceiling in order to establish an appropriate level for CPP earnings-related pensions.

In order to effect these objectives, Ontario has made the following proposals to amend the Canada Pension Plan:

- . increase in the Year's Maximum Pensionable Earnings (YMPE) to \$9,500 in 1975;
- . the Year's Basic Exemption should remain at 12 per cent of the Year's Maximum Pensionable Earnings;
- . escalation of CPP benefits at the full rate of change in the Consumer Price Index;
- . removal of the Earnings Test;
- . an actuarially-reduced retirement pension available to contributors at the age of 60;
- . earnings-related portion of widows' pensions to be increased to 75 per cent for widows age 60 and over;
- . equal treatment of surviving widowers and their dependents;
- . retroactive increases for CPP retirement pensions currently in pay to adjust for the higher YMPE's; and
- . no change in any flat-rate benefits.

These proposals are interim measures which would provide an immediate up-dating in the benefit structure and establish a clear framework for the future development of the Plan. Further review of key elements in the CPP, particularly the widows' and disability benefits, should take place in conjunction with broad reforms in the total income security system.





## 1. BACKGROUND

The Canada Pension Plan and the Quebec Pension Plan were enacted in 1965, following two years of extensive negotiations by the federal and provincial governments. Both Plans commenced operating on January 1, 1966.

The first proposal for a national public pension plan was introduced by the federal government in June 1963. The proposal called for a federally operated contributory plan providing earnings-related retirement pensions and an increase in the existing Old Age Security pension from the initial surplus of contributions over benefits. Shortly thereafter, the Quebec Government announced its intention to establish a provincial pension plan.

The Quebec plan provided for broader coverage, more generous retirement benefits and supplementary benefits for widows and orphans. In 1964, agreement was reached that there would be two identical fully co-ordinated pension plans, the Canada Pension Plan and the Quebec Pension Plan.

Since persons who were already retired or near retirement in 1966 would receive little or no benefit from the nationwide pension scheme, the federal government introduced in 1967 the Guaranteed Income Supplement to Old Age Security. The Guaranteed Income Supplement was initially intended as a temporary program to be phased out when the Canada Pension Plan matured in 1976.

The federal white paper on income security published in 1970 proposed to amend the Canada Pension Plan and to establish the Guaranteed Income Supplement as a permanent and enriched program.<sup>1</sup> Amendments to the Canada Pension Plan were proposed to meet two major

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1. Hon. John Munro, Income Security for Canadians (Ottawa: 1970). For a full review of the white paper proposals and related issues, see Hon. C.S. MacNaughton, Review of Issues in Amending the Canada Pension Plan (Toronto: 1972).





problems. First, it was recognized that gaps remained in the income security system, particularly for widows and disabled people. Second, CPP contributions and benefits had not kept pace with the growth in average Canadian wages.

Accordingly, the white paper proposed to substantially increase widows' and disabled contributors' benefits and to increase retirement benefits and contributions through a series of selective increases in the annual earnings ceiling. The overall impact of the proposed amendments would involve a shift in the focus of the Plan away from the retirement area.

Establishment of the Guaranteed Income Supplement as a permanent and enriched program marked a shift in the federal government's philosophy toward a guaranteed income approach. This action by the federal government appeared to be an implicit recognition that a social insurance plan could not effectively meet the needs of elderly people with low income.

In its 1972 spring budget, the federal government announced further increases in the Guaranteed Income Supplement, increasing combined OAS-GIS payments by \$15 a month and making provision for future adjustments in OAS and GIS payments in line with changes in the Consumer Price Index. A year previously, GIS payments were exempted from the income tax base.

The recent federal budget increased the Old Age Security pension to \$100 a month effective April 1. The maximum combined OAS-GIS payments are \$170 a month for a single person and \$325 a month for a married couple.

The Quebec Pension Plan was amended effective January 1, 1973. The major effect of the Quebec amendments is that initial retirement benefits will be about 22 per cent lower than under the federal proposals due to lower maximum pensionable earnings under the Quebec Plan.<sup>2</sup> Quebec benefits will be escalated at a higher rate, however, since the Pension Index ceiling will be 3 per cent compared with 2 per cent under the federal proposals.

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2. A description of the Quebec amendments and an analysis of their financial implications with respect to the Canada Pension Plan are also contained in Review of Issues in Amending the Canada Pension Plan.





## 2. OBJECTIVES OF THE CANADA PENSION PLAN

Ontario proposes that amendment of the Canada Pension Plan proceed within the context of the following objectives which provide guidelines for immediately amending the Plan and for developing a longer-term policy framework.

### 2.1 THE BASIC OBJECTIVE OF THE CANADA PENSION PLAN SHOULD BE TO PROVIDE AN ADEQUATE EARNINGS-RELATED RETIREMENT PENSION TO PEOPLE WITH LONG-TERM PARTICIPATION IN THE LABOUR FORCE.

A very large number of labour force participants are not covered by private pension plans. For some there are family provisions for retirement income and others are capable of making independent provision for a substantial retirement income through other investments. There is, however, another large group which should be given the opportunity through the public sector to participate in an earnings-related pension plan. It is with respect to this group that the Canada Pension Plan can fulfill its most valuable role in the income maintenance system.

The Canada Pension Plan also plays an important role with respect to all labour force participants and their dependents. While the Guaranteed Income Supplement in conjunction with Old Age Security payments performs the basic role of providing a guaranteed minimum income, the CPP provides a mechanism for low-income people to increase retirement income beyond the guaranteed level. For those covered by private pension plans, the CPP provides a basic backup to the private plan and ensures that at least a portion of the total pension entitlement is fully portable.

New policies for the Canada Pension Plan should continue to build upon this basic objective of the Plan. Maximum retirement benefits should be set at a level which is significantly higher than the GIS guaranteed minimum income. On the other hand, benefits should not be so high as to create disincentives to participate in private retirement income plans.





2.2 THE CANADA PENSION PLAN SHOULD OPERATE PRIMARILY AS AN INSURANCE ORIENTED PLAN.

Social insurance inevitably and justifiably involves cross subsidies. However, it is the Ontario view that such features should be minimized. The combination of significant cross subsidies with insurance-related objectives produces the danger that no objectives will be satisfactorily achieved.

Further development of the Plan, therefore, should be concentrated on creating a sound earnings-related benefit structure. Widows' and disability benefits are an important part of the Canada Pension Plan and could be strengthened. However, they should be primarily, if not exclusively, earnings related in nature.<sup>3</sup>

2.3 THE PURCHASING POWER OF CANADA PENSION PLAN BENEFITS SHOULD BE MAINTAINED.

In April 1972, the federal government introduced a cost-of-living escalation factor into the Old Age Security and the Guaranteed Income Supplement system. It is logical and equitable to extend the same principle to the Canada Pension Plan. If this is not done, Canada Pension Plan benefits will steadily erode in relation to other programs and the objectives of the Plan will not be achieved.

2.4 THERE SHOULD BE CONTINUED RELIANCE ON THE PRIVATE SECTOR TO CARRY A MAJOR RESPONSIBILITY FOR PROVIDING RETIREMENT INCOME.

While the public sector must play a strong role in providing a basic retirement income, the primary role in retirement savings should be borne by the private sector. The private sector can provide higher retirement incomes and a larger range of options suited to individual needs. The role of the private sector was strengthened in 1972 through increased income tax deductions for retirement savings contributions, a measure which is supported by Ontario. In the longer term, governments must continue to encourage the private sector to develop broader and more flexible pension coverage.

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3. See Chapter 3, p. 8.





### National Parallelism

In its 1970 white paper on income security, the federal government stated that "there is a continuing need to maintain compatibility between the Canada and Quebec Pension Plans so that this insurance system remains countrywide."<sup>4</sup> Subsequently, the Quebec Pension Plan was amended as of January 1, 1973. The Quebec amendments do not parallel the federal proposals. However, they are generally along the same lines and, from a technical point of view, the two Plans could be brought back together.

The Ontario Government acknowledges the objective of national parallelism and recognizes the advantages of parallelism particularly in terms of administrative simplicity. However, another principle must also be considered; namely, that of building flexibility into national programs in order to recognize individual provincial social priorities. This principle was recognized by the Prime Minister of Canada in 1972 when he suggested a formula for integrating federal and provincial family allowance policies.<sup>5</sup> It was also suggested that such a principle could be extended to other program areas.

Thus there are two overall principles which govern any question of national parallelism. The Ontario view is that the first objective should be to re-establish national parallelism, but not at the expense of sacrificing important federal or provincial priorities. Although lack of uniformity between the Canada and Quebec Pension Plans will produce many administrative complexities in both the public and the private sector, the problems are not insurmountable.

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4. Income Security for Canadians, op. cit., p. 2.

5. Letter from the Rt. Hon. P.E. Trudeau to all provincial Premiers and Prime Ministers, March 9, 1972.



### 3. ONTARIO AMENDMENT PROPOSALS

The proposals outlined in this chapter provide a comprehensive plan for achieving the objectives outlined in Chapter 2. Ontario advocates that these amendments be adopted in 1973. The financial implications of the proposals are documented and analysed in Chapter 4.

#### 3.1 THE ANNUAL CEILING ON CONTRIBUTORY EARNINGS SHOULD BE SUBSTANTIALLY INCREASED. IT IS PROPOSED TO INCREASE THE CEILING IN STAGES TO \$6,800 IN 1973, \$8,100 IN 1974 AND \$9,500 IN 1975 AT WHICH TIME THE EARNINGS INDEX WILL COME INTO OPERATION.

Ontario agrees with the objective of the federal white paper to raise the Year's Maximum Pensionable Earnings. However, the federal proposal would still fall short of creating an adequate level of pension benefits. A more realistic basis of establishing the YMPE level would be to apply the ceiling currently used in the Unemployment Insurance Act. This would create better pension levels and maintain consistency between these major social insurance systems. The Ontario proposal would establish both earnings ceilings at approximately the same level in 1975, after which they would both be escalated in line with the Earnings Index.

The implications of this proposal are:

- . a maximum retirement pension of \$192 monthly when the Plan matures in 1976. The current Plan would provide \$122 and the federal proposals would yield \$160;
- . the differential between OAS-CPP benefits and OAS-GIS benefits will be increased to establish a better balance between the two systems; and
- . there would be similar increases in the supplementary earnings-related benefits.

#### 3.2 THE PENSION INDEX SHOULD BE ABOLISHED AND ALL SUBSEQUENT ESCALATION OF PENSION BENEFITS SHOULD BE AT THE FULL RATE OF CHANGE OF THE CONSUMER PRICE INDEX.

The current Pension Index maximum of 2 per cent has been implicitly acknowledged as inadequate by the federal government in its May 8, 1972 budget which raised the escalation of the Old Age Security and Guaranteed Income Supplement to the full increase in the Consumer Price Index. The Canada Pension Plan is the only public pension scheme that currently retains an escalation feature that is less than the Consumer Price Index.





Private pension plans are also limited by the 2 per cent ceiling in their escalation of benefits. Ontario's proposal will allow the private sector to plan for different rates of price inflation when structuring and funding its benefits for the future.<sup>6</sup>

3.3 THE EARNINGS TEST SHOULD BE REMOVED IN ORDER TO INCREASE THE EQUITY OF THE CPP AND TO REINFORCE THE INSURANCE PRINCIPLE.

The existing Earnings Test results in very high marginal 'tax' rates of 50 and 100 per cent on earned income. Since the CPP provides the recipient with a right to a pension at 65 based on earnings over the contributor's lifetime, offsetting his pension between ages 65 and 70 unfairly detracts from his right to a pension. It also mars the insurance principle upon which the Plan is based.

3.4 AN ACTUARIALLY-REDUCED PENSION SHOULD BE AVAILABLE TO THOSE INDIVIDUALS WHO WISH TO WITHDRAW FROM THE LABOUR FORCE BETWEEN THE AGES OF 60 AND 65.

The trend towards early retirement has resulted in increased pressures to provide public retirement benefits to people below age 65. This proposal would be an important first step in that direction and it could be undertaken without any additional cost to the Plan.

To illustrate the effect of an actuarially-reduced retirement benefit, a CPP contributor from age 18 to age 60 would receive an average retirement pension of \$517, in present value terms, each year until death compared to receiving a pension of \$690 if he retired at age 65.<sup>7</sup> Actuarially reducing a pension incorporates two effects - a shorter contribution period and a longer benefit period - with the result that pensions calculated in this manner are significantly lower.

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6. Currently, the Department of National Revenue will not register a private pension plan for purposes of income tax deductions if pensions are escalated by more than the CPP Pension Index. The adoption of a CPI escalation factor will provide the basis for a more flexible and progressive policy.

7. The actual pension received will be considerably higher than \$690 which is the value of his pension discounted to 1966.





3.5 THE EARNINGS-RELATED BENEFIT FOR SURVIVORS AGE 60 AND OVER SHOULD BE INCREASED TO 75 PER CENT OF THEIR SPOUSES' ACTUAL OR IMPUTED RETIREMENT PENSION. NO CHANGE SHOULD BE MADE IN FLAT-RATE BENEFITS.<sup>8</sup>

This proposal is based on the following considerations:

- . survivors' benefits should be increased;
- . benefits should be earnings related to the fullest extent possible; and
- . steps must be taken to reduce the differential treatment of widows over and under age 65.

With the proposal to increase the earnings-related portion of survivors' benefits to 75 per cent for people age 60 and over, Ontario is suggesting a fundamentally different approach than that adopted in the federal white paper and that adopted by Quebec.

Two of the basic policy proposals of the federal white paper on income security were to strengthen and extend social insurance in order to "keep the mainstream of the population out of poverty", and to reduce reliance on social assistance "through greater emphasis on both guaranteed income and social insurance."<sup>9</sup> With respect to existing deficiencies in the Canada Pension Plan, the white paper stated that "while retirement benefits could be higher, the main criticism is the relatively low protection for survivors and the disabled."<sup>10</sup>

Accordingly, the federal government proposed significant increases in CPP supplementary benefits, particularly flat-rate components. In essence, these proposals suggest that the embryo of a guaranteed income for people normally outside of the labour force should be created within the CPP.

Ontario has previously suggested that --

These proposals for supplementary CPP benefits should be reviewed in relation to longer-term objectives with respect to people who are generally not part of the labour force, the impact on provincial assistance programs and alternative possibilities for delivering equivalent benefits.<sup>11</sup>

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8. All widows age 60 or over currently receiving survivor benefits would have their pensions adjusted in line with these amendments.

9. Income Security for Canadians, op. cit., p.2.

10. Ibid., p. 21

11. Review of Issues, op.cit., p. 13.



It is the Ontario view that the major objective of the Canada Pension Plan is to provide adequate retirement income and that, in contrast to the position adopted in the federal white paper, the CPP retirement income is currently far too low. In addition, the Ontario Government believes that social insurance is not the most appropriate vehicle to provide the partial equivalent of a guaranteed income program. In the case of income security for the elderly, this principle was acknowledged by the federal government in its 1970 white paper when it proposed that the GIS be converted to a permanent program.

The principles advanced by Ontario to guide the reform the income security system suggest that other alternatives should be discussed to provide adequate income protection for people outside the labour force such as the disabled.<sup>12</sup> Given the high priority of this area, a new separately financed mechanism should be established.

3.6 ALL BENEFITS APPLICABLE TO THE WIFE AND CHILDREN OF A MALE CONTRIBUTOR SHOULD ALSO BE MADE APPLICABLE TO THE HUSBAND AND CHILDREN OF A FEMALE CONTRIBUTOR.

Under existing legislation, dependents of male contributors are entitled to disability and survivor benefits as a right, while spouses and children of female contributors must meet a strict test of spousal or maternal dependency prior to the death disability of the female contributor. The inequities of the present system impose, without justification, a hardship on working parents and mar the insurance principle upon which the Plan is based. Providing survivor and disability benefits to spouses and children of all female contributors would meet one of the major recommendations of the Report of the Royal Commission on the Status of Women.<sup>13</sup>

3.7 NO IMMEDIATE CHANGES SHOULD BE MADE IN DISABILITY PENSIONS.

The federal proposals for disability pensions are similar to the proposals for widows' benefits, i.e. an increase in the flat-rate portion of the benefit to \$80 per month and an increase in the earnings-related benefit, in this case from 75 to 100 per cent of the imputed

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12. See Hon. Rene Brunelle, Perspectives on Income Security (Toronto: April 1973).

13. Report of the Royal Commission on the Status of Women in Canada (Ottawa: 1970), p. 82.





retirement pension. There is no question that benefits for disabled people are generally inadequate and that this is a priority area for income security reform.

However, it is recommended that disability pensions not be changed until there has been a thorough review of the broad question of income security with respect to these pensions and an examination of more comprehensive alternatives such as a form of guaranteed annual income. It will then be possible to evaluate the appropriate role of the Canada Pension Plan.

The Ontario proposals for the YMPE and benefit escalation will result in significant increases in the disability pension over the current levels. These are outlined in the next chapter.

### 3.8 NO CHANGE SHOULD BE MADE IN THE EXISTING CALCULATION OF THE YEAR'S BASIC EXEMPTION (YBE).

The federal government proposed to freeze the Year's Basic Exemption at \$600 because "increases in the basic exemption would exclude more years of contributions for people with very low earnings, years which may be important insofar as the entitlement to benefits is concerned."<sup>14</sup> Over a period of time the federal proposal would have the effect of increasing contributions, reducing the internal subsidy to low-income contributors and drawing more marginal contributors into the Plan. In the long term, \$600 would become only a token exemption.

Although there is some validity to the federal proposal, Ontario believes there is a strong case for maintaining the exemption because --

- . the exemption effectively reduces the average contribution rate for low-income contributors; and
- . marginal labour force participants should be excluded from the CPP in order to avoid the necessity of paying very low pensions.

To meet the white paper concern about very low-earning years, consideration could be given to increasing the "drop-out provision."<sup>15</sup>

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14. Income Security for Canadians, op. cit., p. 49.

15. The "drop-out provision" excludes the lowest 15 per cent of contribution years from the calculation of the pension benefit.





3.9 CONCURRENT WITH THE INCREASE IN THE YMPE, PROVISIONS SHOULD BE MADE TO RETROACTIVELY INCREASE RETIREMENT BENEFITS FOR THOSE WHO ARE CURRENTLY RECEIVING CPP RETIREMENT PENSIONS.

This proposal recognizes that the YMPE's have been well below the average wage for a number of years, with the result that those who are now retired are receiving lower pensions than they should. Increasing the YMPE to bring it back in line with the average wage unfairly increases the differential in pensions between those who have retired and those who will be retiring in the near future.

The cost of the retroactive increase should be borne by the federal government and not the CPP since the low YMPE's have resulted in lower contributions to the Plan as well as lower benefits. In addition, increasing the CPP retirement pension yields a substantial savings to the federal government in GIS costs.



#### 4. IMPACT AND COST OF THE ONTARIO PROPOSALS

This chapter presents an analysis based on PENSIM, a computer simulation of the Canada Pension Plan, which outlines the long-run impact of Ontario's proposals. The effects of the Ontario proposals are not fully incorporated into the PENSIM analysis because of the time required to develop the necessary actuarial data. After consultations with the Department of Insurance, further minor adjustments will be made. The PENSIM analysis also uses a revised set of economic assumptions which are set out below.

##### Retirement Pensions

The Ontario proposals affect retirement pensions in two ways. First, the increases in the Year's Maximum Pensionable Earnings (YMPE) raise initial pensions. Second, the escalation of pension benefits at the full rate of change of the Consumer Price Index increases the growth rate in excess of 2 per cent.

##### Maximum Monthly Initial Retirement Pensions\*

<u>Year</u>	<u>Current</u>	<u>Federal</u> <u>Proposals</u>	<u>Ontario</u> <u>Proposals</u>
	(\$)	(\$)	(\$)
1973	80.21	83.61	86.04
1974	93.33	105.00	113.33
1975	106.87	132.50	152.50
1976	122.22	160.42	192.36
1977	127.78	172.22	210.42
1980	152.78	206.25	251.39
1990	275.00	370.14	450.69
2000	493.75	663.19	809.03

\* The economic assumptions used throughout this chapter are:

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975+</u>
Growth in Average Earnings	6.71	6.41	6.1	6.0	6.0	6.0
Growth in Consumer Price Index	3.35	2.85	4.8	4.2	3.6	3.25
Interest Rate	7.97	6.95	7.23	7.0	6.7	6.7

These economic assumptions reflect contemporary changes in average earnings, prices and interest rates. The values used for 1970, 1971 and 1972 are actual figures. Previous Ontario projections have been based on the moderate inflation assumptions found in Review of Issues in Amending the Canada Pension Plan, p. 4.





The YMPE's proposed by Ontario produce a marked increase in retirement pensions by 1975 compared to either the existing plan or the federal proposals. Subsequent to 1975, the retirement pensions under the three plans will increase at approximately the same rate because of the escalation of the YMPE by the Earnings Index.

The resulting increase in pensions will be consistent with the objectives of strengthening retirement benefits and the insurance principle. For example, by 1976 the maximum CPP-OAS income available to a single pensioner will be \$3,635 compared to a GIS-OAS guaranteed income of \$2,258, a differential that will maintain a better balance between the two systems. In addition, the increase in the YMPE's will augment all other earnings-related benefits and direct the focus of the Plan away from flat-rate benefits.

OAS-GIS Income and Ontario Proposed CPP  
Retirement Benefits in 1976

	<u>Guaranteed OAS-GIS Minimum Income</u>	<u>OAS-CPP Pension</u>	<u>GIS Add-On</u>	<u>Total</u>
	(\$)	(\$)	(\$)	(\$)
		<u>Maximum CPP Pension</u>		
Single	2,258	3,635	0	3,635
Married*	4,307	4,962	501	5,463
		<u>Three-quarters CPP Pension</u>		
Single	2,258	3,058	67	3,125
Married*	4,307	4,385	789	5,174
		<u>One-half CPP Pension</u>		
Single	2,258	2,481	355	2,836
Married*	4,307	3,808	1,077	4,885

\* Married couple both age 65 with one contributor to CPP.

Escalation

Escalating pension benefits at the full rate of the CPI as currently occurs with OAS and GIS benefits further increases the differential between CPP and GIS benefits compared to these benefits escalated at the existing Pension Index. The escalation feature proposed by Ontario maintains the real value of a CPP pension income while the current system and the federal proposals allow it to decline.



Proposed Monthly Retirement Pension Escalated by  
Current 2 Per Cent Ceiling and Full CPI

<u>Year</u>	<u>2% Ceiling</u>	<u>Full CPI*</u>
	(\$)	(\$)
1976	192.36	192.36
1977	196.21	198.61
1978	200.13	205.07
1979	204.13	211.73
1980	208.22	218.61
1981	212.38	225.71
1982	216.63	233.05
1983	220.96	240.63
1984	225.38	248.45
1985	229.89	256.52
1986	234.49	264.86
1987	239.18	273.47
1988	243.96	282.36
1989	248.84	291.53

\* Assuming a reasonable inflation rate of 3.25 per cent.

Disability

The increase in the YMPE indirectly increases the earnings-related amounts of disability and widows' benefits. The following table compares disability benefits under the three plans.

Maximum Monthly Initial Disability Pensions

<u>Year</u>	<u>Current</u>	<u>Federal Proposals</u>	<u>Ontario Proposals</u>
	(\$)	(\$)	(\$)
1973	114.09	199.44	120.34
1974	116.21	212.85	135.58
1975	118.35	230.45	157.47
1976	121.54	245.31	175.65
1977	126.30	258.81	190.21
1980	146.92	298.14	224.20
1990	245.67	482.16	387.12
2000	418.36	799.74	674.38

Since Ontario has proposed no change in the disability benefit formula, benefits will not be as high as those proposed by the federal government. However, the higher YMPE's and rate of escalation proposed by Ontario result in disability pensions larger than those under the current plan.





## Survivors

The table below compares benefits for widows and widowers over 65 under the three plans. The difference between the federal proposals and the Ontario proposals is a result of the higher YMPE's. However, the difference between the Ontario proposals and the current plan is not only a result of substantially higher YMPE's, but also the increase in the earnings-related portions from 60 to 75 per cent.

### Maximum Monthly Initial Benefits for Survivors Over 65 Years of Age\*

<u>Year</u>	<u>Current</u>	<u>Federal Proposals</u>	<u>Ontario Proposals</u>
	(\$)	(\$)	(\$)
1973	77.08	89.58	92.19
1974	70.00	98.44	106.25
1975	71.25	110.42	127.08
1976	73.33	120.32	144.27
1977	76.67	129.16	157.82
1980	91.67	154.69	188.54
1990	165.00	277.61	338.02
2000	296.25	497.39	606.77

\* Exclusive of necessary new measures outside the CPP to increase survivor payments.

The next table compares benefits for widows and widowers age 60 to 64.

### Maximum Monthly Initial Benefits for Survivors Age 60-64\*

<u>Year</u>	<u>Current</u>	<u>Federal Proposals</u>	<u>Ontario Proposals</u>
	(\$)	(\$)	(\$)
1973	71.12	169.58	120.34
1974	72.46	180.04	135.58
1975	73.82	193.65	157.47
1976	75.70	205.21	175.65
1977	78.39	215.76	190.21
1980	89.63	246.58	224.20
1990	142.54	389.62	387.12
2000	233.20	633.94	674.37

\* Includes the flat-rate portions.



Benefit Costs

The next table compares overall benefit costs. The projections are preliminary since they do not include the effects of some of the Ontario proposals and therefore slightly underestimate the long-run costs.<sup>15</sup>

Aggregate Benefit Costs

(\$ Million)

<u>Year</u>	<u>Current</u>	<u>Federal Proposals</u>	<u>Ontario Proposals</u>
1973	292.4	453.1	304.5
1974	371.5	554.5	398.7
1975	477.7	684.7	524.7
1976	540.2	807.1	712.1
1977	656.4	998.5	934.6
1980	1,160.0	1,776.6	1,861.9
1985	2,065.3	3,153.3	3,496.1
1990	3,408.7	5,115.6	5,928.1
1995	5,323.2	7,841.6	9,368.7
2000	7,914.2	11,510.7	13,955.0

Initially the Ontario proposals are less expensive than the federal proposals, but become more expensive by 1979. This is caused by three factors. First, the increased YMPE's initially cause a net increase in revenue to the fund, but as the CPP matures this effect reverses as a larger share of contributors become beneficiaries. Second, it takes a period of time before the impact of the higher escalation feature becomes significant. Third, the cost of retirement benefits increases due to removal of the Earnings Test.

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15. These projections do not include cost estimates of the Ontario proposals for extending coverage to surviving widowers, their children, and children of female contributors who become disabled.





### Contributions

In the aggregate, the Ontario proposals involve an increase in the volume of contributions to the Plan arising from an upward adjustment in contributory earnings. However, by 1983 aggregate contributions will be lower under the Ontario proposals because of the Year's Basic Exemption.

#### Contributions by an Individual Employee\* Earning \$10,000 Annually

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	(\$)	(\$)	(\$)	(\$)	(\$)
Federal Proposals	102.60	117.00	129.60	136.80	147.60
Ontario Proposals	108.00	129.60	151.20	158.40	158.40

\* This contribution is matched by the employer.

#### Aggregate Contributions (\$ Million)

<u>Year</u>	<u>Current</u>	<u>Federal Proposals</u>	<u>Ontario Proposals</u>
1973	914.3	993.5	1,008.5
1974	957.9	1,119.7	1,159.6
1975	1,034.1	1,272.1	1,315.4
1976	1,087.2	1,364.8	1,405.7
1977	1,184.6	1,489.1	1,529.6
1980	1,474.2	1,895.1	1,908.5
1985	2,264.4	2,977.0	2,955.1
1990	3,239.1	4,302.1	4,244.0
1995	4,536.1	6,138.5	6,010.0
2000	6,485.0	8,830.8	8,569.6

### CPP Fund and Cash Flow Levels

This section outlines the PENSIM projections of the impact of the Ontario proposals on the CPP fund. It should be noted that the projections are based on a revised set of economic assumptions which have been adjusted to reflect past trends, particularly the rate of price inflation. Full details of the revised economic assumptions and



their effects, along with projections based on the 1970 Department of Insurance economic assumptions are provided in Appendix A.

Also illustrated is the amount of net investment funds available to the provinces. The cash levels under the Ontario proposals will initially be higher than under the federal proposals. The differential, especially in the earlier years, is a result of the increase in the volume of contributions due to the rise in the annual earnings ceiling. However, as the Plan matures, the higher YMPE's begin to affect the benefits paid out and consequently, cash flow levels are run down very quickly. As a result, the cash flow levels for the Ontario proposals turn around two years before the federal proposals.

Fund Levels and Cash Flow Levels for Selected Years  
Under the Current Plan, the Federal Proposed Plan  
and the Ontario Plan

(\$ Million)

Year	Fund Levels			Cash Flow Levels		
	Current	Federal Proposals	Ontario Proposals	Current	Federal Proposals	Ontario Proposals
1973	6,511	6,438	6,585	622	540	704
1974	7,566	7,459	7,812	586	565	761
1975	8,661	8,571	9,155	557	587	791
1976	9,816	9,733	10,506	547	558	694
1977	11,031	10,911	11,846	528	491	595
1978	12,278	12,096	13,165	476	422	485
1979	13,564	13,276	14,416	434	337	326
1980	14,825	14,330	15,481	314	119	47
1985	22,110	19,717	20,057	199	-	-
1990	30,870	24,601	21,433	-	-	-
1995	39,880	26,626	14,867	-	-	-
2000	48,540	23,689	-	-	-	-
Fund Exhausts	2022	2010	2000			
Turn Around Year				1989	1983	1981





5. AMENDMENT OF THE CANADA PENSION PLAN --  
THE NEXT STAGE

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The Ontario proposals constitute the first stage of the Canada Pension Plan review. A number of broader issues need to be resolved as part of a longer-term review of the income security system. This chapter outlines areas which should receive immediate attention after the initial round of amending the CPP.

1. Early Retirement

Included in Chapter 3 is the proposal for an actuarially-reduced pension from age 60. Implementation of this measure would provide preliminary recognition of the fact that it is becoming increasingly common for private pension schemes to make provision for retirement before age 65. Since many private schemes are integrated with the Canada Pension Plan, it is important that the CPP begin to adjust to this trend.

The question of early retirement must be considered in a much broader program context, that is, introducing the equivalent of OAS and GIS benefits for people below age 65 or simply reducing the eligibility age for the existing OAS-GIS programs.

2. Long-run Relationship between CPP, OAS and GIS

The Ontario proposals are based on the objective of developing a significant differential between Canada Pension Plan and GIS benefits. This should apply in particular at the level of maximum CPP benefits, that is, the differential should be such that a single person or married couple should receive enough in CPP income to bring them above the income levels which are subject to partial GIS payments.

The Ontario proposals will help to achieve this goal but it is difficult to develop precise guidelines. For example, what percentage of maximum CPP pension should still free an individual from reliance on GIS? The question of appropriate levels of income and benefit



differentials under the income security system is an area that should be subject to further review, the results of which could be incorporated in future CPP amendments and other program changes.

### 3. Survivors' and Disability Benefits

In Chapter 2 it is recommended that only one change be adopted immediately in the area of widows' and disability benefits, that is, to increase the earnings-related portion of the widows' pension to 75 per cent for widows age 60 and over. It is also suggested that further changes could be undertaken, but that this should only be done in conjunction with a full review of alternative income security programs for those normally outside the labour force. The role of the Canada Pension Plan in this area could be further strengthened but this should be done only in the area of earnings-related benefits in keeping with the basic nature of the Plan. Thus, the Ontario proposals should be regarded as interim measures.

### 4. Royal Commission on the Status of Women

The amendments proposed by Ontario already include one of the recommendations of the Royal Commission on the Status of Women.<sup>16</sup> However, there are broader questions which should be considered. For example, it has been suggested that everyone should have the right to participate in the Canada Pension Plan whether or not they are a member of the labour force. This would apply in particular to married women who do not have regular employment outside of the home. It would also apply to people who have had long gaps in their labour force participation such as women who return to the labour force after their children have grown up.

Ontario is in basic agreement with the principle involved in these suggestions and advocates that proposals for amending the Canada Pension Plan be developed along these lines as soon as possible.

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16. See Chapter 3, p. 10.



## 5. Workmen's Compensation Benefits

Currently it is possible for some totally disabled people and survivors of deceased Workmen's Compensation Board recipients to qualify for both CPP and WCB benefits. The federal white paper has suggested that eventually CPP and WCB benefits be integrated in a manner which will avoid duplicate payments.

As with the case of widows' and disability benefits discussed above, this issue is essentially connected to the development of more comprehensive policies for people below age 65 who are not part of the labour force. In light of this, and since relatively few people are affected, it is suggested that this question should be reserved for longer-run consideration.

6. There are a number of additional areas which should be reviewed.

### Orphans' Benefits

- . Although no change should be made in the current level of orphans' benefits, with the exception of providing equal benefits for the children of both male and female contributors, this aspect of the CPP should be immediately reviewed when a new family allowance policy for Canada is finally adopted. At that time it may be desirable to consider eliminating or permanently freezing CPP orphans' benefits.

### Escalation

- . In addition to escalating pension benefits in line with the Consumer Price Index, consideration should be given to building in an additional factor to reflect changes in productivity.

### Voluntary Contribution Increases

- . When a contributor's income is not equal to or greater than the YMPE, he will not receive the maximum CPP pension. The possibility of voluntary increases in contributions to the maximum level should be studied in order that contributors can maximize their retirement income.





APPENDIX A

PENSIM

Financial Projections



TABLE 1

PENSIM Projections of Benefits Under the Ontario Proposals\*

(\$ Million)

Calendar Year	Retirement Pensions	Disability Pensions	Children's Benefits	Widows' Pensions	Orphans' Benefits	Death Benefits	Expenses of Administration	Total Benefits
1973	106.7	38.8	7.8	77.6	26.0	19.6	28.0	304.5
1974	150.0	51.5	10.3	98.0	32.9	23.8	32.2	398.7
1975	221.6	64.1	12.8	119.6	40.5	29.6	36.5	524.7
1976	353.9	76.7	15.3	147.7	43.9	35.5	39.0	712.1
1977	496.0	109.2	18.7	179.6	47.3	41.2	42.5	934.6
1978	664.8	120.0	19.9	215.1	50.7	46.8	45.8	1163.0
1979	878.5	131.4	21.2	253.4	54.0	53.2	49.1	1440.7
1980	1165.7	211.3	22.5	292.4	57.0	60.1	53.0	1861.9
1981	1345.3	227.8	23.3	341.6	58.1	67.1	57.8	2121.2
1982	1538.2	245.6	24.2	395.9	59.7	74.7	62.7	2401.1
1983	1744.9	263.8	25.4	454.4	61.6	82.8	67.9	2700.8
1984	1992.9	283.3	26.7	516.3	64.1	92.2	73.7	3049.3
1985	2303.0	338.1	28.2	577.1	66.9	100.8	82.1	3496.1
1986	2588.8	363.4	29.7	652.5	69.2	111.9	88.8	3904.4
1987	2891.7	389.3	31.4	734.5	71.9	123.5	94.8	4337.2
1988	3217.8	417.7	33.2	822.3	74.9	136.1	102.4	4804.5
1989	3586.5	447.6	35.2	914.2	78.2	150.5	110.2	5322.3
1990	4015.6	509.0	37.3	1002.4	81.8	164.0	117.9	5928.1
1991	4434.1	545.5	39.4	1114.1	85.6	180.6	126.2	6525.6
1992	4878.8	584.9	41.7	1235.6	89.6	198.2	136.0	7164.7
1993	5351.7	627.1	43.9	1364.4	93.7	217.0	145.4	7843.2
1994	5868.1	672.5	46.3	1497.8	97.8	238.1	155.9	8576.5
1995	6436.5	734.7	48.6	1622.8	102.0	257.2	166.9	9368.7
1996	7001.2	791.1	50.9	1783.8	106.1	280.9	178.6	10192.5
1997	7586.6	852.4	53.2	1955.9	110.1	306.0	191.8	11055.9
1998	8203.9	920.9	55.5	2137.6	113.9	333.0	206.5	11971.3
1999	8858.5	996.3	57.8	2323.8	117.6	362.6	221.6	12938.2
2000	9561.0	1086.7	60.1	2495.6	121.2	392.3	238.0	13955.0

\* Assumes a long-term interest rate of 6.7%.





TABLE 1 (CONTINUED)

PENSIM Projections of Fund Components Under the Ontario Proposals\*

(\$ Million)

Calendar Year	Contributions	Interest	Loan Repayments	Benefits & Expenses	Net Revenue	Fund at Year End	Net Provincial Cash Flow
1973	1008.5	369.4	0.0	304.5	1073.4	6584.5	704.0
1974	1159.6	444.5	0.0	398.7	1205.5	7811.5	761.0
1975	1315.4	525.3	0.0	524.7	1316.0	9154.9	790.7
1976	1405.7	613.5	0.0	712.1	1307.1	10505.8	693.6
1977	1529.6	701.0	0.0	934.6	1296.0	11846.3	595.0
1978	1647.5	787.9	0.0	1163.0	1272.3	13165.0	484.5
1979	1766.5	873.1	0.0	1440.7	1198.9	14415.9	325.8
1980	1908.5	953.4	0.0	1861.9	1000.0	15480.5	46.6
1981	2080.3	1020.4	0.0	2121.2	979.6	16501.4	-40.8
1982	2258.4	1086.1	0.0	2401.1	943.4	17488.2	-142.7
1983	2443.4	1149.3	0.0	2700.8	891.9	18425.4	-257.4
1984	2652.6	1209.0	0.0	3049.3	812.4	19286.0	-396.7
1985	2955.1	1263.5	0.0	3496.1	722.4	20057.0	-541.1
1986	3196.8	1311.9	383.3	3904.4	987.6	20713.3	-707.6
1987	3414.3	1357.1	764.5	4337.2	1198.7	21205.1	-922.9
1988	3685.0	1394.8	718.7	4804.5	994.0	21532.7	-1119.5
1989	3966.3	1414.0	818.0	5322.3	875.9	21644.3	-1356.1
1990	4244.0	1412.3	839.6	5928.1	567.8	21432.7	-1684.1
1991	4543.6	1383.5	900.0	6525.6	301.5	20889.1	-1982.0
1992	4894.9	1341.1	949.1	7164.7	20.4	20009.9	-2269.8
1993	5235.2	1273.9	1395.3	7843.2	61.1	18733.0	-2608.0
1994	5612.9	1202.8	1834.4	8576.5	73.7	17032.8	-2963.6
1995	6010.0	1127.0	2265.6	9368.7	33.9	14866.6	-3358.7
1996	6428.6	1041.1	3533.7	10192.5	810.8	12226.5	-3763.9
1997	6904.4	1007.8	3816.8	11055.9	673.1	9164.2	-4151.6
1998	7433.2	966.1	3649.7	11971.3	77.7	5667.1	-4538.1
1999	7978.6	886.0	4199.6	12938.2	126.0	1678.3	-4959.6
2000	8569.6	814.2	126.0	13955.0	-4445.2	0.0	-5385.3

\* Assumes a long-term interest rate of 6.7%.



TABLE 2

PENSIM Projection of Benefits Under  
the Ontario Proposals Using Actuarial  
Report Moderate Inflation Assumptions\*

(\$ Million)

Calendar Year	Retirement Pensions	Disability Pensions	Children's Benefits	Widows' Pensions	Orphans' Benefits	Death Benefits	Expenses of Administration	Total Benefits
1973	105.5	48.8	7.8	76.8	25.7	19.6	28.0	302.1
1974	147.2	51.4	10.3	96.3	32.3	23.7	32.1	393.4
1975	216.5	64.1	12.8	117.2	39.6	29.5	36.3	516.0
1976	348.9	76.8	15.3	144.8	42.8	35.2	38.4	702.2
1977	488.9	108.1	18.1	175.9	46.0	40.8	41.9	919.8
1978	655.9	118.4	19.3	210.3	49.2	46.3	44.8	1144.1
1979	869.5	129.9	20.5	247.5	52.2	52.8	48.1	1420.5
1980	1149.7	208.0	21.7	285.3	55.0	59.2	51.4	1830.3
1981	1322.5	223.7	22.4	332.9	56.0	66.0	55.8	2079.3
1982	1505.4	239.5	23.3	385.1	57.3	73.1	60.9	2344.7
1983	1705.3	256.9	24.3	441.2	59.1	80.8	65.7	2633.2
1984	1944.7	274.4	25.5	500.4	61.2	89.7	70.6	2966.5
1985	2239.3	326.4	26.9	558.0	63.8	97.7	78.5	3390.7
1986	2505.2	348.7	28.3	629.6	65.9	107.9	83.5	3769.0
1987	2788.2	372.9	29.8	707.1	68.2	118.7	89.7	4174.6
1988	3092.5	398.2	31.5	789.7	70.9	130.4	96.1	4609.2
1989	3435.6	424.6	33.3	875.6	73.9	143.7	102.7	5089.3
1990	3829.9	480.3	35.2	957.6	77.1	156.0	109.4	5645.6
1991	4208.3	512.4	37.1	1061.5	80.5	170.9	117.1	6187.9
1992	4610.4	546.6	39.1	1173.9	84.0	186.8	125.1	6765.9
1993	5036.7	583.4	41.1	1292.3	87.6	203.7	133.3	7378.3
1994	5498.9	622.4	43.2	1414.4	91.3	222.6	141.9	8034.7
1995	6004.5	677.1	45.2	1527.8	94.9	239.6	151.7	8740.8
1996	6496.9	724.5	47.3	1673.9	98.5	260.3	161.9	9463.3
1997	7010.2	777.6	49.3	1829.2	102.0	282.4	173.1	10223.7
1998	7548.2	836.5	51.3	1992.2	105.3	306.1	185.0	11024.5
1999	8113.1	900.8	53.3	2158.1	108.4	331.9	197.1	11862.6
2000	8716.0	977.6	55.3	2309.5	111.5	357.5	211.4	12738.8

\* Department of Insurance, Canada Pension Plan: Actuarial Report as at December 31, 1969 (Ottawa: 1969), p.23.



TABLE 2 (CONTINUED)

PENSIM Projections of Fund Components  
Under the Ontario Proposals Using the  
Actuarial Report Moderate Inflation Assumptions\*

(\$ Million)

Calendar Year	Contributions	Interest	Loan Repayments	Benefits & Expenses	Net Revenue	Fund at Year End	Net Provincial Cash Flow
1973	1006.6	378.3	0.0	302.1	1082.8	6601.2	704.5
1974	1156.7	455.2	0.0	393.4	1218.5	7841.6	763.3
1975	1305.1	538.1	0.0	516.0	1327.2	9196.2	789.1
1976	1383.6	624.4	0.0	702.2	1305.8	10546.4	681.4
1977	1508.0	709.2	0.0	919.8	1297.4	11887.0	588.2
1978	1612.2	793.6	0.0	1144.1	1261.7	13195.4	468.1
1979	1730.1	875.6	0.0	1420.5	1185.2	14431.7	309.6
1980	1849.4	952.6	0.0	1830.3	971.7	15468.5	19.1
1981	2009.6	1015.8	0.0	2079.3	946.1	16454.9	-69.7
1982	2192.2	1077.3	0.0	2344.7	924.8	17420.0	-152.5
1983	2363.8	1137.4	0.0	2633.2	868.0	18332.7	-269.4
1984	2542.2	1193.8	0.0	2966.5	769.5	19151.3	-424.3
1985	2824.4	1243.8	0.0	3390.7	677.6	19876.1	-566.3
1986	3005.7	1287.8	383.3	3769.0	907.8	20454.6	-763.3
1987	3227.6	1326.0	764.5	4174.6	1143.5	20885.8	-947.0
1988	3458.0	1357.6	718.7	4609.2	925.1	21143.8	-1151.2
1989	3697.1	1370.3	818.0	5089.3	796.2	21174.5	-1392.1
1990	3937.8	1361.8	839.1	5645.6	493.1	20885.8	-1707.8
1991	4215.9	1326.7	899.2	6187.9	253.9	20288.4	-1972.0
1992	4504.6	1274.0	1209.0	6765.9	221.6	19353.6	-2261.3
1993	4800.4	1217.7	1797.6	7378.3	437.4	18053.5	-2577.9
1994	5109.1	1169.2	2452.1	8034.7	695.8	16366.3	-2925.6
1995	5461.5	1131.6	2948.1	8740.8	800.4	14291.9	-3279.3
1996	5828.7	1097.4	3249.6	9463.3	712.3	11829.8	-3634.6
1997	6231.3	1058.8	3595.1	10223.7	661.4	8973.9	-3992.4
1998	6658.6	1017.4	3560.6	11024.5	212.2	5701.7	-4365.8
1999	7095.8	949.2	4239.9	11862.6	422.4	1971.9	-4766.8
2000	7610.6	899.6	422.4	12738.8	-3806.2	0.0	-5128.2

\* Department of Insurance, Canada Pension Plan: Actuarial Report as at December 31, 1969 (Ottawa: 1969), p.23.





## APPENDIX B

### Comparison of CPP Proposals and the Quebec Amendments



COMPARISON TABLE OF CPP PROPOSALS AND QUEBEC AMENDMENTS

Item Scheme	1. Year's Maximum Pension- able Earnings	2. Year's Basic Exemption	3. Contribution Rate	4. Pension Index	5. Earnings Index
CURRENT PLAN	\$5,500 in 1972, escalated thereafter in line with Pension Index up to 1975. After 1975, escalated in line with Earnings Index.	12 per cent of Year's Maximum Pensionable Earnings rounded down to the nearest \$100 (currently \$600). For the self-employed, it is the same as long as his earnings exceed 1.33 of that figure (currently \$800).	Employees between the ages of 18 and 65 must contribute at the rate of 1.8% of earnings between the Year's Basic Exemption and the Year's Maximum Pensionable Earnings. This is matched by the employer. The self-employed contribute at the rate of 3.6 per cent.	Average of Consumer Price Indices of 12 months ending with June of the preceding year. Maximum of 1.02 of preceding year's Pension Index.	Average of employee's average earnings for the eight years ending two years before the current year, divided by the corresponding average for the first eight years of the Canada Pension Plan.
FEDERAL WHITE PAPER PROPOSALS	Increase from \$5,500 in 1972 to \$6,300 in 1973, \$7,100 in 1974, and \$7,800 in 1975. Thereafter, escalated in line with Earnings Index.	Maintain level of \$600. Self-employed to contribute on earnings above \$600 as long as his earnings exceed \$800.	No change	Abolish Pension Index with all subsequent escalation at the rate of change of the CPI.	No change
ONTARIO PROPOSALS	Increase from \$5,500 in 1972 to \$6,800 in 1973, \$8,100 in 1974 and \$9,500 in 1975. Thereafter, escalated in line with Earnings Index.	Same as current scheme. Yielding exemption levels of \$800 in 1973, \$900 in 1974 and \$1,100 in 1975 based on proposed Year's Maximum Pensionable Earnings.	No change	Same as federal proposals	No change
QUEBEC AMENDMENTS	Increase from \$5,500 in 1972 to \$5,900 in 1973, \$6,100 in 1974, and \$6,300 in 1975. Thereafter, escalated in line with Earnings Index.	Same as current scheme. Yielding exemption levels of \$600 in 1973, \$700 in 1974 and 1975.	No change	Same as current scheme, except ceiling on the Pension Index raised to 3 per cent.	No change





Item Scheme	6. Retirement Pension	7. Earnings Test	8. Early Retirement	9. Disability Pensions	10. Benefit for Children of Disabled Beneficiaries
CURRENT PLAN	Amount payable in initial year of retirement dependent upon the average of the ratios of contributor's pensionable earnings to the Year's Maximum Pensionable Earnings during his contributory period. This ratio is multiplied by 25 per cent of the average of the most recent three levels of the Year's Maximum Pensionable Earnings. After the initial year of retirement, it is escalated by the Pension Index.	Retirement pensions, payable between the ages of 65 and 69 are offset at the rate of 50 per cent on other earnings in excess of 18 per cent of the maximum pensionable earnings for that year, and are fully offset on earnings in excess of 30 per cent.	None	Flat-rate component of \$27.60 (in 1972) plus 75 per cent of retirement pension contributor would have been entitled to, had he reached retirement age. After initial year combined amount is escalated by Pension Index. At age 65, the disabled pensioner is deemed to apply for a retirement pension which is revalued.	Flat-rate payment of \$27.60 (in 1972) per month up to age 18, or 25 if still at school. This payment to be discontinued when father reaches 65. One-half this amount to each child in excess of four. After initial year payment is escalated every year by Pension Index.
FEDERAL WHITE PAPER PROPOSALS	No change	To be reviewed	None	Flat-rate component to be raised to \$80 (in 1973) plus 100 per cent of retirement pension. At age 65 this total is reduced by the OAS payment.	Payment not to be discontinued when father reaches 65.
ONTARIO PROPOSALS	Same as current scheme, but escalated by the Consumer Price Index.	No earnings test.	Provision for an actuarially reduced pension for early retirement between the ages of 60 and 65.	No immediate changes	A single standard applied to provide similar benefits to children of male and female contributors.
QUEBEC AMENDMENTS	Same as current scheme but ceiling on Pension Index raised to 3 per cent.	Single offset rate of 50 per cent on earnings exceeding the 18 per cent of the YMPE for ages 65-69 inclusive.	None	Same flat-rate as federal proposals but earnings-related portion is only 75 per cent of retirement pension.	No change



COMPARISON TABLE OF CPP PROPOSALS AND QUEBEC AMENDMENTS (CONT'D)

Item Scheme	11. Benefit for Wives of Disabled Beneficiaries	12. Widows' and Disabled Widows' Pension	13. Disabled Widowers' Pension
CURRENT PLAN	None	A full pension consisting of a flat-rate payment of \$27.60 (in 1972) plus an earnings-related portion equal to 37.5 per cent of retirement pension husband would have been entitled to, had he reached retirement age, is payable to disabled widows, to widows with young children and to widows 45 or over. When widow reaches 65, however, she receives 60 per cent of husband's retirement pension in addition to her OAS payment. If widow is not disabled, does not have dependent children and is between 35 and 45, her full pension is reduced by 1/120th for every month that her age is less than 45. After initial year, combined amount is escalated by Pension Index.	The same pension available to a disabled widow is paid to a disabled widower if he was dependent on his wife at the time of her death.
FEDERAL WHITE PAPER PROPOSALS	\$80 per month (in 1973) if she is under 65 and has dependent children in her care. Payment to be escalated every year by Pension Index.	The full pension to be raised to \$80 (in 1973) a month plus 75 per cent of husband's retirement pension. At age 65, this total is reduced by the OAS payment.	Same as 12.
ONTARIO PROPOSALS	No Change	No change in flat-rate benefits. The earnings-related benefits for widows age 60 and over should be increased to 75 per cent of their husband's actual or imputed retirement pension. All benefits accruing to surviving widows should be extended to include similar coverage for surviving widowers and their children.	No Change
QUEBEC AMENDMENTS	No Change	Same flat-rate benefits as federal proposals but earnings-related portion remains at 37.5 per cent of husband's pension. Widows who do not qualify for Quebec Pension Plan payments will receive equivalent benefits through social assistance, 50 per cent financed by the Quebec Pension Plan.	Flat-rate benefits amended as in federal proposals.





Item Scheme	14. Orphans' Benefits	15. Death Benefits
CURRENT PLAN	Flat-rate payment equal to \$27.60 (in 1972) payable to each of first four unmarried children of a deceased contributor whether or not mother is alive. This amount is reduced by one-half for each child in excess of four. Payment discontinues when children reach 18, or 25 if still at school. Payment also payable to children of deceased female contributor who maintained them at time of her death. After initial year, payment is escalated by Pension Index.	Lump sum payments, equal to six times the monthly retirement pension, is paid to the estate of the deceased contributor, provided such payment does not exceed 10 per cent of the Year's Maximum Pensionable Earnings in year of death.
FEDERAL WHITE PAPER PROPOSALS	No change	No change
ONTARIO PROPOSALS	A single standard applied to provide similar benefits to children of male and female contributors.	No Change
QUEBEC AMENDMENTS	Frozen at \$29 per month in 1974.	No change







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